

Gina Mouser

From: Leanne Evans
Sent: Tuesday, May 26, 2009 6:02 PM
To: Joseph Moore
Cc: Karen Sides; Sharon Swan; Mike Burke
Subject: FW: June 3, 2009 Meeting

Joe,

I understand you wanted to see all the proposed agenda items for the June 3rd meeting. I have already talked with Mike and Sharon on this topic and we need to ask the Board for additional spending authority for banking services.

To summarize the issue, the contract for banking services was approved for one year, beginning in December 2008, for a total of \$100,000. FDIC Insurance is the only item on the contract that is not a fixed per item price. It is a direct pass through from FDIC. The cost of insurance on deposits increased significantly beginning in January to cover the cost of the increased threshold from \$100,000 to \$250,000 and to recover their losses from recent bank failures. The cost of banking services for the year is now estimated at \$250,000, an increase of \$150,000. The increase is due solely to the increase in FDIC insurance. We have enough on the contract to cover the May invoice (which will arrive in about a month), but will need additional spending authority for May through November. This is also a budget issue, but Mike and Shirley are both aware of the issue.

In the past, the FDIC fees were so low that Bank of America did not even pass the charge to us – although it was allowed in the contract as a pass through. Our total banking fees for April was \$21,252.06. Of that, \$12,500 or 59% was due to the FDIC insurance. There is a strong possibility that the fee could increase going forward with additional bank failures. The only way to reduce the fee is to move excess cash out of the bank and into a money market account or some other investment. However, Bank of America has agreed to pay an interest rate of 0.70% on our deposits (significantly higher than our contract rate that would be around 0.10%). If you net the FDIC fee (0.13%) from their interest rate we are netting 0.57%. The only alternative I have seen that provides a better return on overnight money is the SBA. They are paying 0.86% right now because they have some municipal bonds in their portfolio.

I will be covering this with the Finance Committee on Friday and will work with Sharon to finalize the agenda item. I am already working on a new RFP, but none of the banks are in a position to waive these fees.

If you have any questions, please let me know.

Thanks, Leanne

*Leanne Evans, CTP
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